

**VILLAGE OF OAKLEY, MICHIGAN
SAGINAW COUNTY**

FINANCIAL STATEMENTS

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Oakley	County Saginaw
Fiscal Year End March 31, 2006	Opinion Date August 25, 2006	Date Audit Report Submitted to State September 1, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

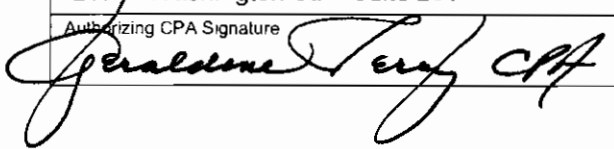
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Demis and Wenzlick, P.C.		Telephone Number (989) 723-8227	
Street Address 217 N Washington St. Suite 201		City Owosso	State MI
Authorized CPA Signature 		Printed Name Geraldine Terry, CPA	Zip 48867
		License Number 1101026880	

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DEMIS and WENZLICK, P.C.

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INDEPENDENT AUDITOR'S REPORT

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Geraldine Terry, C.P.A.

Carol A. Demis
Jeanette Gaitskill
Greg Irish
Janis K. Mead
Tammy Pappas
David Pullen
Peggy Ryan
Joyce M. Simmons
Barbara Wenzlick
Gail Winnick, C.P.A.

To the Honorable President
And Village Council
Village of Oakley, Michigan

We have audited the accompanying general-purpose financial statements of The Village of Oakley, Saginaw County, Michigan, as of and for the year ended March 31, 2006. These general-purpose financial statements are the responsibility of the Village of Oakley, Michigan's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

In our opinion, except for the non-application of GASB 34, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of The Village of Oakley, Michigan, as of March 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Village of Oakley. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund and account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

Our report of comments and recommendations has been submitted under date of August 25, 2006.

Dorn and Wenzel, PC

Certified Public Accountants

Owosso, Michigan
August 25, 2006

VILLAGE OF OAKLEY, MICHIGAN
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2006

	GOVERNMENTAL FUND TYPE		GENERAL FIXED ASSETS	PROPRIETARY FUND TYPE ENTERPRISE
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>		
ASSETS:				
Cash in Bank	\$ 58,229	\$ 71,320	\$ -0-	\$ -0-
Cert. of Deposit	35,431	41,853	-0-	-0-
Taxes Receivable	6,123	-0-	-0-	-0-
Due from Other Funds	4,680	-0-	-0-	-0-
Interest Receivable	231	1,875	-0-	-0-
Fixed Assets	-0-	-0-	249,232	154,680
	<u>\$104,694</u>	<u>\$115,048</u>	<u>\$249,232</u>	<u>\$154,680</u>
LIABILITIES:				
Accounts Payable	\$ 2,717	\$ -0-	\$ -0-	\$ -0-
Accrued Int. Payable	4,680	-0-	-0-	-0-
Notes Payable - L.T.	-0-	-0-	-0-	150,000
Due to Other Funds	-0-	-0-	-0-	4,680
	<u>\$ 7,397</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$154,680</u>
FUND EQUITY:				
Fund Equity	<u>\$ 97,297</u>	<u>115,048</u>	<u>249,232</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$104,694</u>	<u>\$115,048</u>	<u>\$249,232</u>	<u>\$154,680</u>

See accountant's review report.

VILLAGE OF OAKLEY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ALL GOVERNMENTAL TYPE FUNDS
YEAR ENDED MARCH 31, 2006

	GENERAL FUND			SPECIAL REVENUE		
	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET
REVENUES:						
Taxes	\$ 38,650	\$ 38,151	\$ 499	\$ -0-	\$ -0-	\$ -0-
Inter-Gov't.	28,000	27,948	52	36,500	36,576	(76)
Interest	55	1,111	(1,056)	120	2,025	(1,905)
Other	<u>34,050</u>	<u>36,330</u>	<u>(2,280)</u>	<u>00</u>	<u>00</u>	<u>00</u>
TOTAL REVENUES	\$100,755	\$103,540	\$ (2,785)	\$ 36,620	\$ 38,601	\$ (1,981)
EXPENDITURES:						
Admin.	\$ 14,275	\$ 14,042	\$ 233	\$ 00	\$ 00	\$ 00
Law Enf.	13,300	11,998	1,302	00	00	00
Tractor Loan	3,000	2,723	277	00	00	00
Mowing	1,800	1,778	22	00	00	00
Insurance	10,500	10,654	(154)	00	00	00
Parks & Rec.	500	319	181	00	00	00
DPW	9,000	8,655	345	00	00	00
Refuse Coll.	11,800	11,289	511	00	00	00
Utilities	11,400	12,972	(1,572)	00	00	00
Streets	00	00	00	95,620	35,052	60,568
County Tress.	550	413	137	00	00	00
Tree Service	1,000	00	1,000	00	00	00
Zoning	2,000	2,106	(106)	00	00	00
Attorney	900	893	7	00	00	00
Legal Notices	150	89	61	00	00	00
Misc.	12,380	1,802	10,578	00	00	00
Capitol Outlay	26,979	21,029	5,950	00	00	00
Waste Water Study	<u>17,200</u>	<u>14,766</u>	<u>2,434</u>	<u>00</u>	<u>00</u>	<u>00</u>
TOTAL EXPEND.	\$136,734	\$115,528	\$ 21,206	\$ 95,620	\$ 35,052	\$ 60,568
OTHER FINANCING SOURCES (USES):						
Interfund Transfers:						
In	\$ 00	\$ 00	\$ 00	\$ 7,000	\$ 6,944	\$ (56)
Out	<u>00</u>	<u>00</u>	<u>00</u>	<u>(7,000)</u>	<u>(6,944)</u>	<u>56</u>
TOTAL OTHER SOURCES (USES)	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES						
	\$ (35,979)	\$ (11,988)	\$ 23,991	\$ (59,000)	\$ 3,549	\$ (62,549)
Fund Balance April 1, 2005		109,285			111,499	
FUND BALANCE MARCH 31, 2006		\$ 97,297			\$115,048	

VILLAGE OF OAKLEY, MICHIGAN
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGE SIN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 MARCH 31, 2006

	GENERAL FUND	SPECIAL REVENUE FUND
REVENUES:		
Taxes	\$ 38,151	\$ 00
Inter-Gov't.	26,978	36,576
Interest	1,111	2,025
Other	37,300	00
TOTAL REVENUES	\$103,540	\$ 38,601
EXPENDITURES:		
Administration	\$ 8,851	\$ 00
Law Enforcement	6,093	00
Tractor Loan	2,723	00
Mowing	1,778	00
Insurance	10,654	00
Parks and Recreation	319	00
DPW	8,655	00
Refuse Collection	11,289	00
Election Costs	00	00
Utilities	12,972	00
Streets	00	35,052
Christmas Decorations	00	00
County Treasurer	413	00
Tree service	00	00
Attorney and Legal Notice	982	00
Miscellaneous	12,117	00
Capital Outlay	21,810	00
Zoning	2,106	00
Waste Water Study	14,766	00
TOTAL EXPENDITURES	\$115,528	\$ 35,052
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$(11,988)	\$ 3,549
OTHER FINANCING SOURCES (USES):		
Interfund Transfers In	\$ 00	\$ 6,944
Interfund Transfers Out	00	(6,944)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 00	\$ 00
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$(11,988)	\$ 3,549
Fund Balance Beginning of Year	109,285	111,499
FUND BALANCE MARCH 31, 2006	\$ 97,297	\$115,048

The accompanying notes are an integral
 part of the financial statements.

VILLAGE OF OAKLEY, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2006

OPERATING REVENUES:	
Charges for Services	\$ <u>00</u>
TOTAL OPERATING REVENUES	\$ <u>00</u>
 OPERATING EXPENSES	 \$ <u>00</u>
 OPERATING INCOME (LOSS)	 \$ <u>00</u>
 NON-OPERATING REVENUES:	
Tap in Fees	\$ <u>00</u>
TOTAL NON-OPERATING REVENUES	\$ <u>00</u>
 NET INCOME (LOSS)	 \$ <u>00</u>
 RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR	 <u>00</u>
 RETAINED EARNINGS (DEFICIT) - END OF YEAR	 \$ <u>00</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF OAKLEY, MICHIGAN
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2006

	ENTERPRISE (SEWER)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 00
NET CASH USED IN OPERATING ACTIVITIES	\$ 00
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payment for Purchase of Land	\$ (70,800)
Payment for Project Engineering Costs	(79,200)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	\$ (150,000)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:	
Proceeds from Loan	\$ 150,000
NET CASH FLOWS PROVIDED BY CAPITAL & RELATED FINANCING ACTIVITIES	\$ 150,000
NET INCREASE (DECREASE) IN CASH	\$ -0-
Cash & Cash Equivalents - Beginning of Year	-0-
CASH & CASH EQUIVALENTS - END OF YEAR	\$ -0-

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF OAKLEY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Oakley conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENT FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current asset and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements including buildings, but other than roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

VILLAGE OF OAKLEY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the government funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in General Long-Term Debt Account Group.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the budget committee submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to April 1, the budget is adopted.

VILLAGE OF OAKLEY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CASH AND INVESTMENTS

Cash includes amounts in demand deposits and money market accounts. These are stated at cost, which equals market value.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheet. Transactions occurring between individual funds for goods provided or services rendered are also classified as "due to other funds" or "due from other funds" on the balance sheet.

LONG-TERM OBLIGATIONS

The portion of a long-term debt expected to be financed from expendable available financial resources is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities are expected to be financed from proprietary fund operations are accounted for in those funds.

COMPENSATED ABSENCES

The Village does not compensate employees for vacation time, sick-time or any other absences.

POST-RETIREMENT HEALTH CARE BENEFITS

The Village does not provide post-retirement health care benefits.

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts, and other commitments in the expenditures of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the government fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not institute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no significant encumbrances at year end.

VILLAGE OF OAKLEY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES

Property taxes attach an enforceable lien on property by the county. Taxes are levied on April 1, and payable on July 1. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance Law of the State to levy taxes up to 15.0 mills for general government services. The Village has levied 4.6558 mills for general services.

COMPARATIVE DATA

Comparative (i.e. presentation of prior year totals by fund type) data have not been presented in the statements since their inclusion would make the statements unduly complex and difficult to read.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

NOTE B - PROPERTY TAXES RECEIVABLE

The delinquent real property taxes of the Village are purchased by the County of Saginaw. The county intends to sell tax notes, the proceeds of which will be used to pay the Village for these property taxes. It is anticipated this will take place in May, 2006. These taxes have been recorded as revenue for the current year.

NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621, of 1978, Section 18 (1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a activity basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

VILLAGE OF OAKLEY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

During the year ended March 31, 2006, the Village incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated as follows:

	<u>TOTAL APPROPRIATION</u>	<u>AMOUNT OF EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General Fund:			
Zoning	\$ 2,000	\$ 2,106	\$ 106
Utilities	11,400	12,972	1,572
Insurance	10,500	10,654	154
Telephone	525	654	129
Law Enforcement:			
Gas, Maint. & Rep.	1,978	2,385	407
Telephone	3,422	3,520	98
Building Maintenance	100	975	875
Major Street Fund:			
Payroll Taxes	-0-	548	547

NOTE D - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>BALANCE 3-31-05</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 3-31-06</u>
Land & Bldgs.	\$114,128	\$ 00	\$ 00	\$114,128
Vehicles	61,735	00	00	61,735
Fire Dept. Equip.	4,240	00	00	2,420
Police Equip.	7,597	13,058	00	20,655
Office & Garage Equipment	34,408	00	00	34,408
Miscellaneous	<u>14,066</u>	<u>00</u>	<u>00</u>	<u>14,066</u>
	<u>\$236,174</u>	<u>\$13,058</u>	<u>\$ 00</u>	<u>\$249,232</u>

NOTE E - REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity the Village of Oakley, includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the Village's executive or legislative branches (the Village President or the Board, respectively). Control by or dependence on the Village was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Village obligation of the Village to finance any deficits may occur or receipt of significant subsidies from the Village.

VILLAGE OF OAKLEY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE E - REPORTING ENTITY (CONTINUED)

Based on the foregoing criteria, there were no organizations that need to be included in the Village's annual report.

NOTE F - CASH AND CERTIFICATES OF DEPOSIT

The Village's deposits at March 31, 2006, consisted of cash and certificates of deposit as follows:

<u>INSTITUTION A</u>	<u>AMOUNT</u>	<u>FDIC INSURED</u>	<u>UNINSURED</u>
Cash	\$129,549	\$100,000	\$ 29,549
Cert. of Deposit	<u>77,284</u>	<u>77,284</u>	<u>-0-</u>
	<u>\$206,833</u>	<u>\$177,284</u>	<u>\$ 29,549</u>

NOTE G - INTER-FUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ <u>4,680</u>	Sewer Fund	\$ <u>4,680</u>
	<u>\$ 4,680</u>		<u>\$ 4,680</u>

NOTE H - LONG-TERM DEBT

The Proprietary Fund as of March 31, 2006 has a debt of \$150,000 in principal still outstanding along with accrued interest due to another fund in the amount of \$4,680. The purpose of this debt is for the Sewer Disposal Project currently under construction.

NOTE I - PENDING OR THREATENED LITIGATION

On the issue of pending or threatened litigation, the Water Division of the Michigan Department of Environmental Quaility ("MDEQ") alleges that the Village of Oakley is in violation of Part 31, Water Resources Protection, of the National Resources and Environmental Protection Act, 1994, PA 451, as amended, MCL 324.3101 et seq.; and the rules promulgated under Part 31 for failing to provide citizens of the Village with a sewage disposal system that adequately protects public health and the environment from injurious discharges associated with failing septic tank systems. The allegations of the MDEQ have been turned over to the Michigan Attorney General's office for enforcement action. The Michigan Attorney General is directing all aspects of settlement negotiations. It is still believed that a settlement of the dispute is likely.

VILLAGE OF OAKLEY, MICHIGAN
NOTE TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE I - PENDING OR THREATENED LITIGATION (CONTINUED)

The Village of Oakley and the County of Saginaw have entered into a contract to provide for the acquisition, construction and financing of a sanitary sewer collection and treatment facility to serve the Village and resolve the pending dispute with the MDEQ.

NOTE J - CONSTRUCTION IN PROGRESS

The Village of Oakley has entered into a contract with Saginaw County to construct a sewerage disposal system which will be called the Oakley Sewage Disposal System. Funding for this project will be provided by Saginaw County through aggregate loans of \$1,653,000 and a grant of \$2,116,000. The entire cost of project (\$3,769,000) is to be paid by the Village of Oakley per terms of contract over a period of 40 years. Funds disbursed in the amount of \$70,800 to purchase 20 acres of land and the balance of \$79,200 for engineering costs have been capitalized along with the interest which will be depreciated upon completion of the construction and the project is operational. The Village will be responsible for all maintenance and billings for services when system is operational. Activity of this project will be reported under the Proprietary Fund types of this report.

FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

VILLAGE OF OAKLEY, MICHIGAN
GENERAL FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash in Bank	\$ 58,229
Certificates of Deposit	35,431
Taxes Receivable	6,123
Due from Other Funds	4,680
Interest Receivable	231
	<u>\$104,694</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts Payable	\$ 2,717
Accrued Interest Payable	<u>4,680</u>
TOTAL LIABILITIES	\$ 7,397

Fund Balance	<u>97,297</u>
	<u>\$104,694</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF OAKLEY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
REVENUES:			
Taxes:			
Current Taxes	\$ 38,650	\$ 38,151	\$ 499
TOTAL TAXES	\$ 38,650	\$ 38,151	\$ 499
State of Michigan:			
Shared Revenues	\$ 28,000	\$ 26,978	\$ 1,022
Liquor Control	-0-	970	(970)
TOTAL STATE OF MICH	\$ 28,000	\$ 27,948	\$ 52
Other Revenues:			
Rent & Fees	\$ 24,150	\$ 30,390	\$ (6,240)
Interest	55	1,111	(1,056)
Building Inspect.	1,200	655	545
Miscellaneous	8,700	5,285	(3,415)
TOTAL OTHER REVENUES	\$ 34,105	\$ 37,441	\$ (3,336)
TOTL REVENUES	<u>\$100,755</u>	<u>\$103,540</u>	<u>\$ (2,785)</u>
GENERAL ADMINISTRATION:			
Officials Wages	\$ 5,700	\$ 5,460	\$ 240
Postage	350	339	11
Maintenance Building	100	975	(875)
Building Inspector	2,300	1,811	489
Telephone	525	654	(129)
Hall Upkeep	3,100	2,800	300
Supplies Office, Dues	600	423	177
Payroll Taxes	1,600	1,580	20
	\$ 14,275	\$ 14,042	\$ 233
LAW ENFORCEMENT:			
Wages	\$ 7,900	\$ 6,093	\$ 1,807
Gas, Maint. Rep.	1,978	2,385	(407)
Telephone	3,422	3,520	(98)
	\$ 13,300	\$ 11,998	\$ 1,302

The accompanying notes are an integral part of the financial statements.

VILLAGE OF OAKLEY, MICHIGAN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
HOUSE UPKEEP	\$ 3,000	\$ 2,723	\$ 277
MOWING	1,800	1,778	22
INSURANCE	10,500	10,654	(154)
PARKS	500	319	181
REFUSE COLLECTION	11,800	11,289	511
UTILITIES	11,400	12,972	(1,572)
ATTORNEY	900	893	7
LEGAL NOTICES	150	89	61
COUNTY TREASURER	550	413	137
TREE SERVICE	1,000	-0-	1,000
DPW	9,000	8,655	345
CAPITAL OUTLAY	26,979	21,029	5,950
ZONING	2,000	2,106	(106)
WASTE WATER STUDY	17,200	14,766	2,434
	<u>\$ 96,779</u>	<u>\$ 87,686</u>	<u>\$ 9,093</u>
MISCELLANEOUS EXPENDITURES:			
Miscellaneous	\$ 12,380	\$ 1,802	\$ 10,578
	<u>\$ 12,380</u>	<u>\$ 1,802</u>	<u>\$ 10,578</u>
TOTAL EXPENDITURES	<u>\$136,734</u>	<u>\$115,528</u>	<u>\$ 21,206</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (35,979)</u>	<u>\$ (11,988)</u>	<u>\$ 23,991</u>
Fund Balance - April 1, 2005		<u>109,285</u>	
FUND BALANCE - MARCH 31, 2006		<u>\$ 97,297</u>	

The accompanying notes are an integral
Part of the financial statements.

SPECIAL REVENUE FUNDS

MAJOR STREET FUND

Major Street Fund is used to receive Major Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for construction, maintenance and other authorized operations to all streets classified as Major Street.

LOCAL STREET FUND

Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local Streets.

VILLAGE OF OAKLEY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006

	MAJOR STREET FUND	LOCAL STREET FUND	<u>COMBINED</u>
Cash in Bank	\$ 58,365	\$12,955	\$ 71,320
Cert. of Deposit	40,000	1,853	41,853
Interest Receivable	<u>1,875</u>	<u>00</u>	<u>1,875</u>
	<u>\$100,240</u>	<u>\$14,808</u>	<u>\$115,048</u>

LIABILITIES AND FUND BALANCE

Fund Balance	<u>\$100,240</u>	<u>\$14,808</u>	<u>\$115,048</u>
	<u>\$100,240</u>	<u>\$14,808</u>	<u>\$115,048</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF OAKLEY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2006

	MAJOR STREET <u>FUND</u>	LOCAL STREET <u>FUND</u>	<u>COMBINED</u>
REVENUES:			
Motor Vehicle Highway Funds	\$ 27,737	\$ 8,838	\$ 36,575
Interest Income	<u>1,964</u>	<u>62</u>	<u>2,026</u>
TOTAL REVENUES	\$ 29,701	\$ 8,900	\$ 38,601
EXPENDITURES:			
Payroll Taxes	\$ 548	\$ -0-	\$ 548
Routine Maintenance	15,057	10,856	25,913
Traffic Service	337	282	619
Winter Maintenance	3,291	4,481	7,772
Administration	<u>90</u>	<u>110</u>	<u>200</u>
TOTAL EXPENDITURES	\$ <u>19,323</u>	\$ <u>15,729</u>	\$ <u>35,052</u>
EXCESS REVENUES OVER (UNDER)			
EXPENDITURES	\$ <u>10,378</u>	\$ <u>(6,829)</u>	\$ <u>3,549</u>
OTHER FINANCING SOURCES (USES):			
Interfund Transfer In	\$ -0-	\$ 6,944	\$ 6,944
Interfund Transfers Out	<u>(6,944)</u>	<u>-0-</u>	<u>(6,944)</u>
TOTAL OTHER SOURCES (USES)	\$ <u>(6,944)</u>	\$ <u>6,944</u>	\$ <u>00</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			
	\$ 3,434	\$ 115	\$ 3,549
Fund Balance 4-1-05	<u>96,806</u>	<u>14,693</u>	<u>111,499</u>
FUND BALANCE 3-31-06	\$ <u>100,240</u>	\$ <u>14,808</u>	\$ <u>115,048</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF OAKLEY, MICHIGAN
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>
REVENUES:			
Motor Vehicle Highway Funds	\$ 28,000	\$ 27,737	\$ 263
Interest Income	<u>100</u>	<u>1,964</u>	<u>(1,864)</u>
TOTAL REVENUES	\$ 28,100	\$ 29,701	\$(1,601)
EXPENDITURES:			
Construction	\$ 8,000	\$ -0-	\$ 8,000
Payroll Taxes	-0-	548	(548)
Routine Maintenance	20,000	15,057	4,943
Traffic Service	500	337	163
Winter Maintenance	8,000	3,291	4,709
Miscellaneous	28,510	-0-	28,510
Administration	<u>90</u>	<u>90</u>	<u>00</u>
TOTAL ADMINISTRATION	\$ 65,100	\$ 19,323	\$45,777
EXCESS REVENUES OVER (UNDER) EXPENDITURES			
	\$(37,000)	\$ 10,378	\$47,378
OTHER FINANCING SOURCES (USES):			
Interfund Transfers Out	<u>(7,000)</u>	<u>(6,944)</u>	<u>56</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			
	\$ <u>(44,000)</u>	\$ 3,434	\$ <u>47,434</u>
Fund Balance - April 1, 2005		<u>96,806</u>	
FUND BALANCE - MARCH 31, 2006		\$ <u>100,240</u>	

The accompanying notes are an integral
Part of the financial statements.

VILLAGE OF OAKLEY, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>
REVENUES:			
Motor Vehicle Highway Funds	\$ 8,500	\$ 8,838	\$ (338)
Interest Income	20	62	(42)
TOTAL REVENUE	\$ 8,520	\$ 8,900	\$ (380)
EXPENDITURES:			
Construction	\$ 2,000	\$ -0-	\$ 2,000
Routine Maintenance	13,500	10,856	2,644
Traffic Service	600	282	318
Winter Maintenance	8,500	4,481	4,019
Administration	110	110	-0-
Miscellaneous	5,810	-0-	5,810
TOTAL EXPENDITURES	\$ 30,520	\$15,729	\$14,791
EXCESS REVENUES OVER (UNDER) EXPENDITURES			
	\$ (22,000)	\$ (6,829)	\$15,171
OTHER FINANCING SOURCES (USES):			
Interfund Transfer In	7,000	6,944	(56)
TOTAL OTHER SOURCES (USES)	\$ 7,000	\$ 6,944	\$ (56)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			
	\$ (15,000)	\$ 115	\$15,115
Fund Balance - April 1, 2005		14,693	
FUND BALANCE - MARCH 31, 2006		\$14,808	

The accompanying notes are an integral part of the financial statements.

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets.

VILLAGE OF OAKLEY, MICHIGAN
GENERAL FIXED ASSET ACCOUNT GROUP
BALANCE SHEET
MARCH 31, 2006

ASSETS

Building and Land	\$114,128
Vehicles	61,735
Fire Department Equipment	4,240
Police Equipment	20,655
Office and Garage Equipment	34,408
Miscellaneous	<u>14,066</u>
	<u>\$249,232</u>

FUND BALANCE

Investment in General Fixed Assets	<u>\$249,232</u>
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The accompanying notes are an integral
Part of the financial statements.

VILLAGE OF OAKLEY, MICHIGAN
FIXED ASSET ACCOUNT GROUP
ANALYSIS OF CHANGE IN FUND BALANCE
MARCH 31, 2006

	<u>3-31-05</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>3-31-06</u>
Land & Bldgs.	\$114,128	\$ 00	\$ 00	\$114,128
Vehicles	61,735	00	00	61,735
Fire Dept. Equip.	4,240	00	00	4,240
Police Equipment	7,597	13,058	00	20,655
Office & Garage Equipment	34,408	00	00	34,408
Miscellaneous	<u>14,066</u>	<u>00</u>	<u>00</u>	<u>14,066</u>
	<u>\$236,174</u>	<u>\$13,058</u>	<u>\$ 00</u>	<u>\$249,232</u>

The accompanying notes are an integral
part of the financial statements.



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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August 25, 2006

To the Honorable President
and Village Trustees
Village of Oakley, Michigan

In compliance with the provision of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the general and street funds of the Village of Oakley for the year ended March 31, 2006.

ACCOUNTING METHOD AND RECORDS

The accounting records of the Village are kept on the cash basis in a combined journal record for cash receipts and disbursements. There is a general ledger to summarize transactions and control accounts. The general ledger summarizes accounts for all funds. All cash disbursements should be recorded in the ledger. The Village does not balance the ledger.

We recommend that a self-balancing general ledger be maintained for each fund.

BUDGET

The State Revenue Sharing Distribution; Law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is required under this act that expenditures do not exceed the budget. Expenditures include accounts payable at March 31. Budgeted expenditures cannot exceed budgeted revenues plus the beginning fund balance.

GASB 34

The Government Accounting Standard Board issued Statement #34. This statement significantly changes governmental financial reporting. It requires reporting of infrastructure, including related depreciation and it requires management discussion and analysis of the government's financial condition. The effective date of this statement is March 31, 2006 for the Village of Oakley.

The State of Michigan has indicated it will not enforce compliance with GASB 34. We will, at a later time, itemize both the advantages and disadvantages of the Village of Oakley's compliance with this statement.

We appreciate the cooperation and efforts put forth by the treasurer and all Village personnel during our examination. If there are any questions regarding this letter or if we can be of any assistance in implementing any of the recommendations of this letter please contact me.

Very truly yours,

Dennis and Wenzel, PC

Certified Public Accountants